BC Oil and Gas Commission

2010/2011 Annual Service Plan Report

BC Oil & Gas COMMISSION

BRITISH COLUMBIA

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MESSAGE FROM THE CHAIR TO THE MINISTER OF ENERGY AND MINES

On behalf of the Board of Directors, management and staff of the BC Oil and Gas Commission (Commission), I am pleased to submit our 2010/11 Annual Service Plan Report. It gives an account of a year that has seen both change and stability-building, providing confidence in the vitality of the oil and gas sector in British Columbia.

The Commission is an independent single-window agency responsible for regulating oil and gas activities in the province and represents the interests of various partner agencies, First Nations, landowners and other stakeholders. Simply meeting the demands for regulatory approvals is only the beginning of the Commission duties. The Commission is continually striving to be a top performer among industry and peer agencies through stronger governance, continuous improvement and measuring what matters.

The past year will be remembered as the implementation year of the Oil and Gas Activities Act (OGAA). Oct. 4, 2010 marked the coming into force of OGAA, a complex modern act adapted to the shift occurring in British Columbia from conventional to unconventional oil and gas exploration and development. The new legislation recognizes the roles of our partners and stakeholders and provides opportunities for structured feedback and participation in the permitting and oversight of oil and gas activities. Because of this inclusive approach, the Commission's single-window authority is only strengthened, serving as a significant competitive advantage for the province.

Another achievement of 2010/11 has been the renewal of the Commission's strategic priorities and development of an overarching vision for its future. The mission, vision and values driving the performance of the organization have been carefully crafted through inclusive staff engagement processes and confirmed by senior management and the Board. These statements reinforce the Commission's commitment to high standards in all its actions and a heightened awareness of accountability with respect to public safety, the environment and resource development in British Columbia.

The continuing North American trend of steady production and moderate demand growth has maintained lower average natural gas prices over the year. Despite the commodity price challenge, natural gas drilling and production in B.C. has slightly exceeded the Commission's projections for 2010/11. As a result, Commission operations were funded by levies of $24.7 million and fees of $15.0 million, with expenses totaling $34.4 million. The Consolidated Net Income of $5.6 million will be used to fund capital expenditures in the coming years.

This 2010/11 Annual Service Plan Report was prepared in accordance with the Budget Transparency and Accountability Act and the BC Reporting Principles. The information presented reflects the performance of the Commission for the 12 months ended March 31, 2011 in relation to the February 2010 Service Plan. All significant decisions, events and identified risks, as of June 24, 2011, have been considered in preparing this report. It contains estimates and interpretive information that represent the best judgment of management.

The Board is accountable for the contents of this report. The Board ensures that internal controls are in place and performance is measured and reported accurately and in a timely fashion. Any changes in mandate direction, goals, strategies, measures or targets since the February 2010 Service Plan have been discussed and any significant changes identified.

On behalf of the Board, I want to express my appreciation to all Commission staff for their dedication and professionalism during the year in review.

Steve Carr
Board Chair, BC Oil and Gas Commission

ORGANIZATIONAL OVERVIEW

The BC Oil and Gas Commission (Commission) is the independent provincial regulator of oil and gas activities, including exploration, development, pipeline transportation and reclamation. The Commission fulfills the intent and purpose of the Oil and Gas Activities Act (OGAA), which came into force on Oct. 4, 2010 following extensive multi-stakeholder consultations to modernize and streamline the provincial oil and gas regulatory framework. OGAA continues the Commission's mandate as first defined in the Oil and Gas Commission Act and strengthens the independent role of the Commission in permitting and overseeing petroleum and natural gas operations in British Columbia. To view enabling legislation, visit the Commission website at www.bcogc.ca.

The Commission's sole shareholder, the Province of British Columbia, funds operations and capital expenditures only to the extent of revenues raised through application review fees and production levies. Since its inception as a service delivery Crown corporation, the Commission follows a unique single-window model for permitting oil and gas exploration and development, and for ensuring operators' compliance with applicable regulations. This model has gained British Columbia a competitive advantage over other jurisdictions and has supported the effectiveness and efficiency of regulatory processes. Confirming and further strengthening the single-window approach, OGAA updates and consolidates regulatory provisions of the Oil and Gas Commission Act, the Pipeline Act and the Petroleum and Natural Gas Act, and furthers the Commission's regulatory authority with respect to oil and gas activities under other provincial legislation such as the Environmental Management Act, Land Act, Water Act, Heritage Conservation Act, Forest Act, and Forest Practices Code of BC Act.

As a regulator, the Commission serves, considers and adjudicates diverse and sometimes conflicting interests of multiple stakeholder groups. The Commission has developed a long-term relationship with northeast British Columbia First Nations and continues to interface and build strong ties with First Nations communities in all areas where oil and gas activities take place or are contemplated in the province. Numerous delegated authorities, working agreements and memoranda of understanding form the basis for representing the interests of partner government agencies. The Commission is also proud of its open relationship with industry, based on mutual respect and responsiveness.

MISSION

We regulate oil and gas activities for the benefit of British Columbians.

We achieve this by:
- Protecting public safety,
- Respecting those affected by oil and gas activities,
- Conserving the environment, and
- Supporting resource development.

Through the active engagement of our stakeholders and partners, we provide fair and timely decisions within our regulatory framework.
We support opportunities for employee growth, recognize individual and group contributions, demonstrate accountability at all levels, and instill pride and confidence in our organization.

We serve with a passion for excellence.

VISION

To be the leading oil and gas regulator in Canada

VALUES

Respectful

Accountable

Effective

Efficient

Responsive

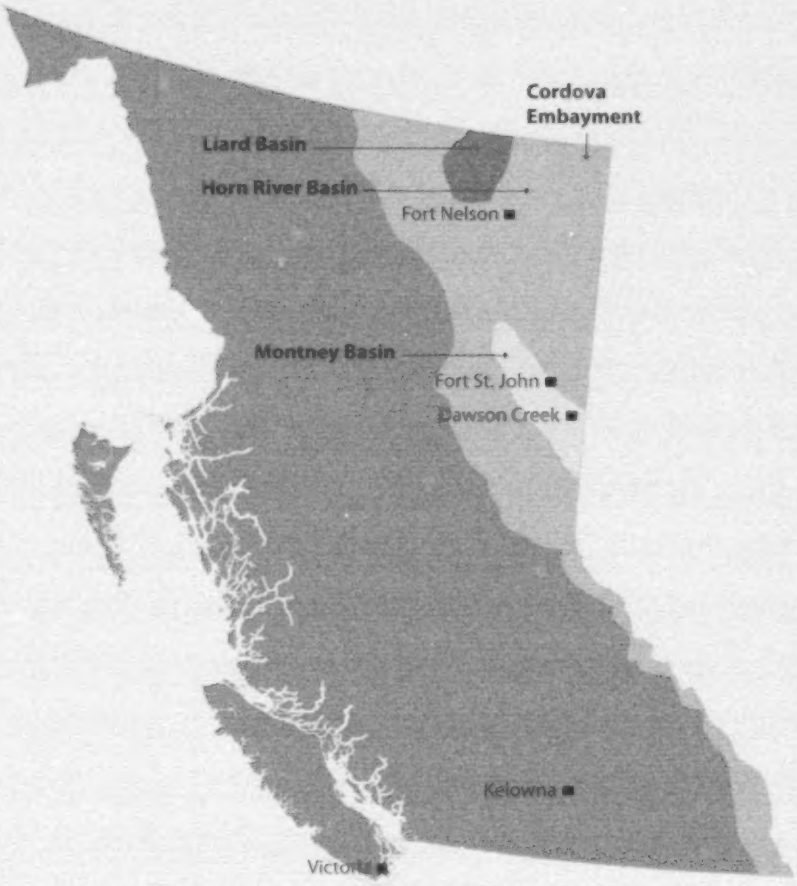
Transparent

BC Oil & Gas COMMISSION

Of strategic importance in its stakeholder relations is the Commission's work with northeast communities to minimize the footprint and effects of oil and gas development.

Of equal importance, the Commission recognizes its employees as a principal stakeholder group and is committed to supporting their continuous professional development and to providing a healthy work environment. Employees operate out of five locations – Victoria, Fort St. John, Dawson Creek, Fort Nelson and Kelowna, with the largest numbers concentrated in Fort St. John and Victoria. The offices in Fort Nelson and Dawson Creek ensure the Commission's presence in communities of the Horn River Basin and Montney gas play respectively. The Kelowna office was established in 2010 as a centre for engineering and collaboration with universities and other higher learning institutions. The areas of primary oil and gas activities are shown in Figure 1 along with the Commission's office locations.

Figure 1: Major oil and gas basins and Commission office locations



COMMISSION MANDATE

Section 4 of the Oil and Gas Activities Act

The purposes of the Commission include the following:

(a) to regulate oil and gas activities and pipelines in British Columbia in a manner that:

- (i) provides for the sound development of the oil and gas sector, by fostering a healthy environment, a sound economy and social well being;
- (ii) conserves petroleum and natural gas resources in British Columbia;
- (iii) ensures safe and efficient practices; and,
- (iv) assists owners of petroleum and natural gas resources to participate equitably in the production of shared pools of petroleum and natural gas.

(b) to provide for effective and efficient processes for the review of applications for permits and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects;

(c) to encourage the participation of First Nations and Aboriginal peoples in processes affecting them;

(d) to participate in planning processes; and,

(e) to undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the Commission.

CORE SERVICES AND ORGANIZATIONAL STRUCTURE

Statutory decision-making authority is vested in the Commissioner who also serves as the Chief Executive Officer. The Commissioner then delegates decision-making authority to staff members within the three operational divisions: Project Assessment and Compliance Assurance, Engineering, and Regulatory Affairs and Stewardship. A Corporate Services division provides financial, human resource management and administrative support for the organization. The core responsibilities of each division are shown on Page 7.

In addition to core services, the Commission provides a support role in the implementation of the Science and Community Environmental Knowledge (SCEK) Fund managed by a committee comprised of representatives of the Commission, the Canadian Association of Petroleum Producers and the Small Explorers and Producers Association of Canada. The purpose of this independently managed fund is to support and facilitate research concerning practical ways of addressing environmental issues related to oil and gas exploration in British Columbia.

The Commission administers the Orphan Site Reclamation Fund, established in 2006, to raise funds through a tax on production levels to pay the cost of reclaiming abandoned wellsites, test holes, production facilities and pipelines for which no responsible owner can be identified. Priority is given to orphan sites on private land to alleviate the reclamation burden on current landowners who bear no responsibility for the past development.

Science and Community Environmental Knowledge (SCEK) Fund

Funding Area	Investment To-date (millions)	# of Active Projects (FY 10/11)	# of Projects To-Date
Environmental Impacts	$2.7	6	31
Cumulative Impacts	$1.1	2	15
Health and Safety	$1.1	--	8
Traditional Knowledge	$1.0	2	8
Collaboration & Communication	$0.2	3	10

SCEK Fund is an oil and gas focused research fund sponsored by industry and administered by the Commission – www.scek.ca.

COMMISSION CORE SERVICES

Review, assessment and adjudication of oil and gas applications for permits or authorizations related but not limited to:

- Wells.
- Pipelines and facilities.
- Geophysical activities.
- Access roads.
- Corporate services related to asset transfers, amalgamations, and Crown Land surface tenure.

Assurance of industry compliance with applicable laws and regulations and permit-specific requirements through inspection, enforcement and incident investigation activities.

Resource conservation and production monitoring and measurement.

Consultation and information sharing with First Nations on oil and gas activities.

Liaison with other provincial and federal government agencies in ensuring effective delivery of government policy, improved regulatory climate and cohesive application of existing regulations.

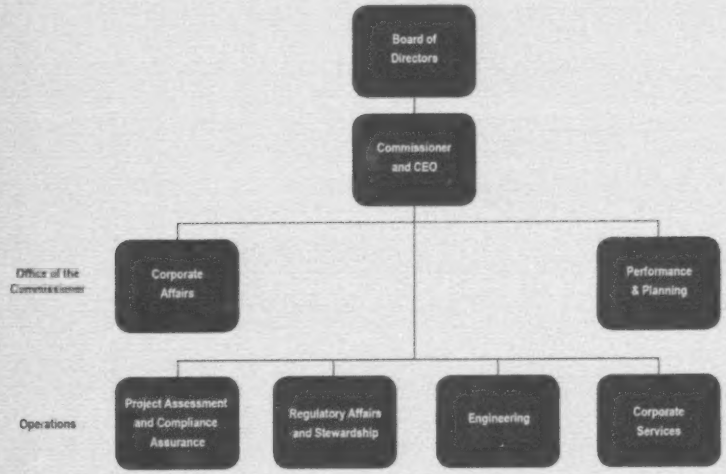
Community and landowner support through education, public engagement, mediation and dispute resolution.

CORE SERVICES AND ORGANIZATIONAL STRUCTURE

CORE DIVISIONAL RESPONSIBILITIES

OFFICE OF THE COMMISSIONER		DIVISION	RESPONSIBILITIES
Performance & Planning	Strategic Planning Business Planning Corporate Reporting Quality Assurance and Internal Audit Process Improvement	Project Assessment and Compliance Assurance	Application Review and Acceptance Project Assessment and Project Level First Nations Consultations Compliance & Enforcement Land Management Oil and Gas Asset Tracking
Corporate Affairs	Internal & External Communications Community & Landowner Support Government Relations	Regulatory Affairs and Stewardship	Regulatory Affairs First Nations Strategic Planning and Consultations Stewardship, including GIS systems, environmental management Resource Development
		Engineering	Drilling and Production Pipelines and Facilities Waste Management Resource Conservation Site Reclamation and Remediation Emergency Response Emergency Management Planning Occupational Health and Safety
		Corporate Services	Finance & Accounting Environmental Liability Rating Program Property Administration Human Resource Organizational Development Human Resource Services Information Systems and Records Management

Figure 2: Organizational Structure



CORPORATE GOVERNANCE

A Board of Directors governs the Commission through setting the strategic direction, ensuring organizational performance is in line with strategic priorities and establishing appropriate accountability and transparency mechanisms. The Board approves the Commission's budget, Service Plan, Annual Service Plan Report and strategic initiatives. Under OGAA, the Board has the powers to make regulations respecting certain aspects of oil and gas activities.

The OGAA legislation provides for the inclusion of the Deputy Minister of Energy and Mines as Board Chair, the Commissioner as Vice Chair, and a third independent member appointed by the Lieutenant Governor in Council. Governance documentation and disclosures can be viewed on the Commission website at www.bcogc.ca.

The Commission Board and management have undertaken a review of the Commission's strategic planning framework and its linkage to board governance best practices. This initiative ensures clear and stable long-term objectives considering direction from government and stakeholder needs. Under the direction of the Board and advice from a group of expert consultants to the Board, the alignment of strategic objectives and initiatives with resource allocation and performance will strengthen the long-range planning and performance reporting discipline within the Commission.

The 2010 governance and strategy renewal process confirmed the intent of the Service Plan goals. Reaching beyond, however, Commission employees at all levels of the organization provided input during numerous strategic planning sessions on evolving client and stakeholder expectations, challenges of the operating environment, and their own vision for the organization. Reflecting this input, the Commission's Board adopted the renewed Mission, Vision and Values as the foundation of the organizational strategy.

Complementing the governance renewal, work has been undertaken in advancing a performance measurement and continuous improvement culture at all levels of the organization. In-house capabilities continue to grow with respect to reviewing and refining data collection, data integrity, performance measurement methodology and establishing an internal audit function.

The Commission's governance policies and practices comply with the Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations (Best Practices Guidelines, which can be referenced at http://www.fin.gov.bc.ca/brdo/governance/index.asp). The Commission's accountability framework is consistent with the accountability and disclosure requirements established for provincial Crown corporations. Its policy direction is derived from the Shareholder's Letter of Expectations and is aligned with government's strategic priorities.

Strategy implementation and management of day-to-day operations are the responsibility of the commissioner, the executive team and senior management.

BOARD OF DIRECTORS

Steve Carr, Deputy Minister, Ministry of Energy and Mines (Chair)
Alex Ferguson, Commissioner and CEO, BC Oil and Gas Commission
John Jacobsen, Independent Member, appointed by the Lieutenant Governor in Council

AUDIT COMMITTEE MEMBERS

John Jacobsen, Independent Member, appointed by the Lieutenant Governor in Council (Chair)
Steve Carr, Deputy Minister, Ministry of Energy and Mines
Randall Smith, Leader, Corporate Services (ex-Officio)

HUMAN RESOURCES COMMITTEE MEMBERS

John Jacobsen, Independent Member, appointed by the Lieutenant Governor in Council (Chair)
Steve Carr, Deputy Minister, Ministry of Energy and Mines
Randall Smith, Leader, Corporate Services (ex-Officio)

EXECUTIVE TEAM MEMBERS

Alex Ferguson, Commissioner and CEO
James O'Hanley, Deputy Commissioner, Project Assessment and Compliance Assurance
Ken Paulson, Deputy Commissioner and Chief Engineer
Paul Jeakins, Deputy Commissioner, Regulatory Affairs and Stewardship
Steve Simons, Leader, Performance and Planning
Randall Smith, Leader, Corporate Services
Graham Currie, Leader, Corporate Affairs

REPORT ON PERFORMANCE

The Commission's performance during the year in review is the result of marks achieved, lessons learned and decisions made in following the mission and vision for the organization and the strategic direction expressed in the Shareholder's Letter of Expectations and Service Plan goals. An integral part of performance is the Commission's agility to sense and adjust to regulatory and economic trends and manage risks and opportunities of the operating environment. Accordingly, this Report on Performance includes three parts:

- Performance Drivers – reporting on the Commission's response to challenges and opportunities of the operating environment.
- Shareholder's Letter of Expectations – reporting success in meeting government direction.
- Actual versus Planned Performance and Benchmarks – reporting on Service Plan goals and measures.

During the year, Commission employees received internal and external recognition for jobs well done with respect to safety, water stewardship, community outreach and translating public policy into practical regulations and processes. The importance of the OGAA implementation to the Commission and to the oil and gas industry is pointed out in each section of this report.

To sustain the strategy and reinforce the management system for its execution, the Commission re-modeled its strategic framework to pursue continuous alignment between its Mission, Vision and Values, tactical decisions and day-to-day operations. Appendix 1 shows the renewed strategic framework underlying the 2011/12-2013/14 Service Plan issued in February 2011. The intent of the 2010/11 organizational goals is continued into the renewed strategy.

Over the year...

Total Approvals Issued by the Commission	2,768
Site Inspections Completed by the Commission	6,474
Wells Drilled in B.C.	640
Kilometers of Pipelines Built in B.C.	1,113

"With the October 4th implementation of the OGAA, the Commission embarked on a new regulatory era. Through user training and one-on-one client support, Commission employees have truly embraced the new framework and have made every effort to make the implementation as smooth as possible both internally and for everyone we work with. Congratulations to all on an outstanding accomplishment!"

Alex Ferguson • Commissioner and CEO

REPORT ON PERFORMANCE

PERFORMANCE DRIVERS

British Columbia yields about one trillion cubic feet (Tcf) of marketable natural gas per year, which is about 18 per cent of total Canadian production and second only to Alberta. Production growth in British Columbia over the past 10 years is largely from the development of unconventional gas in northeast British Columbia, where the potential of unconventional plays could be as high as 1,150 to 1,650 Tcf. The natural gas and petroleum sector is also the province's biggest resource revenue earner at $1.3 billion projected for fiscal year 2010/11. Additionally, the industry employs thousands of British Columbians at some of the highest wages in the province.

Given the importance of the petroleum and natural gas industry to the provincial economy, the Commission's operating environment is complex and under numerous influences, or performance drivers. Among these are economic and industry factors that under changing circumstances present both opportunities and challenges to the organization's performance. Management's response during 2010/11 in pursuing opportunities and mitigating risks associated with these factors is discussed here along with the characteristics of each driver.

DRIVER – ORGANIZATIONAL CAPACITY

Potential Influence	Actions and Outcomes During 2010/11
As a mature organization, the Commission depends on a long-term strategic focus, strength of governance and sound succession planning. Organizational capacity needs to stay responsive to: • The demand for permitting of oil and gas activities. • The rising complexity of development applications. • The changing technical knowledge requirements associated with the shift from conventional to unconventional gas development. • The accountability requirements and performance expectations of public sector organizations. Organizational capacity is critical in upholding the paramount importance of oil and gas operations' safety and compliance with regulations. The Commission continues to be faced with labour market pressures, including recruitement challenges due to compensation restrictions and an escalating number of retirements.	The Commission has made organizational capacity and development one of its foundation strategic objectives. An Organizational Development team has been formed and leads work related to organizational learning and development, leadership effectiveness, workforce planning and performance monitoring, and employee engagement. One of the team's achievements during 2010 was the launching of an inaugural Leadership Development Scholarship Program (LDSP) providing financial support to qualifying staff towards obtaining a certificate, diploma or degree in alignment with Commission strategic priorities. The Commission continued to work toward gaining Shareholder's approval for a reasonable, rational and competitive compensation plan for all employees. For included employees, compensation is governed by the latest union agreements. In 2010/11 two-year agreements with the Professional Employees Association and the B.C. Government and Service Employees' Union were ratified. For excluded employees, dialogue continues with PSEC and other governing bodies for a more equitable and competitive compensation philosophy. The popular and improved Health and Wellness Program, a new Employee Recognition Program and various opportunities for career development differentiate the Commission as an employer of choice.

DRIVER – REGULATORY TRENDS

Potential Influence	Actions and Outcomes During 2010/11
OGAA was passed in May of 2008, and legislation and related regulations were brought into force on Oct. 4, 2010. The transition to a new regulatory framework presents both challenges and opportunities with respect to: • New environmental management regulations. • Acceptance by clients and internal and external users. • New notification and consultation regulations. • New formal review and independent appeal provisions. • New compliance enforcement provisions. • Streamlining business processes. The implementation of the OGAA is a significant advancement of the regulatory framework in British Columbia; it increases the public's opportunity to participate in decisions affecting them, strengthens the rules to protect the environment and enhances government's ability to respond to the future regulatory needs of industry.	The Commission actively participated with its provincial agency partners in delivering OGAA training sessions to industry, First Nations, landowners, and Commission staff on the new permitting and compliance tracking processes. Online training and support with legislation interpretation has been offered through the Commission's website at: www.bcogc.ca/OGAA/ As a result of continued consultations, issues arising in practice and ever-advancing technologies, the refinement of OGAA regulations is ongoing. Consequently, guidance documents, forms and manuals associated with the new processes are also being continually updated. All Memoranda of Understanding and working agreements with other public agencies and professional organizations are being reviewed to identify required changes to be consistent with OGAA legislation and regulations. During the first year of OGAA implementation, the Commission's strategy has been to resolve issues arising from proposed activities prior to application assessment and adjudication. This strategy has successfully reduced potential reviews and appeals of regulatory decisions, resources and increasing the confidence of the public and industry in the new regulatory framework.

> "One of the key points in our renewed mission statement is that regulating oil and gas activities means protecting public safety. To no surprise, one of OGAA's cornerstone concepts is encouraging and steering industry to better compliance through an enhanced suite of flexible and dynamic tools for identifying regulatory risk. The Commission is proud to be implementing this unique in North America compliance management model."

Paul Jeakins • Deputy Commissioner • Regulatory Affairs and Stewardship

DRIVER – FIRST NATIONS

Potential Influence	Actions and Outcomes During 2010/11
Oil and gas rights sales in the province, unconventional gas development and new facilities applications increase the requirements for consultations with First Nations.	The Commission continued to engage with First Nations at both the project review level and the strategic level with respect to land and environmental management. Guidance has been provided to First Nations land offices on the new OGAA regulations and any process changes.
Consultation Process Agreements (CPAs) govern the oil and gas consultation process with First Nations. CPAs with six of the nine northeast British Columbia First Nations expired at the end of March 2011.	In addition, the Commission continually encourages oil and gas companies to engage with affected First Nations communities early in the application process.
Consulted First Nations have indicated that the potential impacts of oil and gas development on water and caribou are of increased interest to them.	In collaboration with the Ministry of Aboriginal Relations and Reconciliation and the Ministry of Energy and Mines, the Commission is participating in the re-negotiation of oil and gas consultation agreements. Until the re-negotiation process is complete, the Commission has developed Interim Consultation Procedures to deliver on its consultation obligations with British Columbia Treaty 8 First Nations. Oil and gas activity levels outside of northeast British Columbia do not yet warrant separate consultation process agreements. Wherever necessary, the provincial policy for consultation with First Nations guides interactions with First Nations communities. The Commission facilitated the First Nations involvement in water-use forums held in Fort Nelson, Fort St. John and Dawson Creek. Similarly, First Nations were invited to caribou workshops. Communication on these topics of interest are ongoing.

"The change that OGAA brought into the day-to-day assessment and oversight of oil and gas projects is that now we have a comprehensive and inclusive regulatory framework with clear and transparent processes that allow for fair and timely decisions for all parties. The implementation of OGAA meant a thorough review of our processes, elimination of redundancies, streamlining of our activities and overall, a higher level of service excellence to our clients, partners and stakeholders. OGAA brought us into the 21st century and beyond."

Roger St. Jean • Area Director • Project Assessment and Compliance Enforcement

DRIVER – STEWARDSHIP

Potential Influence	Actions and Outcomes During 2010/11
Shale and tight gas development continues to drive activity; namely the Montney, Horn River Basin, Cordova Embayment and Liard Basin.	The Commission engaged in developing and coordinating basin-specific environmental stewardship plans, operating protocols and value maps with First Nations, producers and appropriate stakeholders.
The OGAA and associated regulations increase the Commission's ability to manage the effects of oil and gas activities on environmental values.	Collaboration continued with the Ministry of Environment and other resource agencies to streamline permitting processes and associated data collection and analysis.
	As part of implementing OGAA's Environmental Protection and Management Regulation, a Guidebook was developed to assist oil and gas companies in complying with regulations and minimizing the potential impacts of oil and gas development on environmental values.
	The Commission showed proactive environmental management by restricting water use by the oil and gas industry during the drought period in northeast British Columbia. Through increasing internal technical capacity and collaborative working partnerships, the Commission has strengthened its capabilities in addressing water use issues.
	The Commission developed a new geographic based decision support tool used by statutory decision makers to assess the potential impacts of proposed oil and gas activities on land based values. Fifty-two geographic datasets pertaining to oil and gas activities have been made available to the public via the BC Geographic Data Warehouse.

> "Since OGAA was implemented I feel it has strengthened the Community Relations department by defining ways to participate in the decision-making process, and requiring that meaningful engagement be offered to those directly affected by oil and gas activities. OGAA sets out the rules on everything, from the comprehensive information to be shared with stakeholders to the detailed information that must be provided to the Commission. Collaboration is much easier when expectations and responsibilities are clear to all involved."

Corey Jonsson • Manager, Public Engagement and Dispute Resolution • Corporate Affairs

DRIVER - MAJOR PROJECTS

Potential Influence	Actions and Outcomes During 2010/11
Proven reservoir stimulation methods have made economic the production of natural gas from shales and tight formations. This led to significant tenure sales in British Columbia over the past decade. Industry is rapidly shifting from land acquisition to gas extraction involving multi-well pads and hydraulic fracturing. The primary areas of development in British Columbia are the Montney and the Horn River Basin. Production from the Montney is expected to grow at a much greater pace due to its well-developed and rapidly expanding infrastructure for development, production, processing and transportation. The Horn River Basin may see a somewhat slower growth due to its remoteness. As production expands, access to water for fracturing and to suitable formations for ultimate disposal of wastes accumulated during fracturing become key considerations for the industry. Access to markets is another primary consideration in the shift from exploration and acquisition to large scale production. As North American markets become oversupplied, access to alternative global markets is gaining importance and may result in the development of liquefied natural gas (LNG) plants and the construction of new and technically complex pipelines across difficult terrains.	The Commission has increased its technical capacity to manage new and complex applications. The new office in Kelowna, functioning since December 2010, is intended to provide centralized engineering and other support services province-wide in the review and processing of technical applications, the investigation of failures and in the development of technical standards and regulations that will ensure that the anticipated growth is regulated in the interests of British Columbians. The Commission is expanding its working knowledge in the areas of well stimulation, hydraulic fracturing, and gas liquefaction and processing through new hiring, as well as training and knowledge transfer opportunities for existing staff. In addition, the Commission is expanding its pipeline engineering capabilities and is actively seeking senior engineering expertise in key areas such as the complex geotechnical issues faced by pipelines in the coastal mountains of British Columbia. The Commission monitors the progress of pipeline related applications within the jurisdiction of the National Energy Board and the BC Environmental Assessment Office and is prepared to collaborate with these and other agencies in any areas of overlapping responsibility.

"It was a challenging project and a great learning experience to lead revisions to the OGAA Drilling and Production Regulation as part of the implementation of the new regulatory model. The result is a more effective set of regulatory requirements for a rapidly evolving industry. This wouldn't have been possible without the open and collaborative interactions between responsible government agencies, First Nations, Commission employees, industry and the general public."

Kevin Parsonage • Director, Drilling and Production • Engineering

DRIVER - BC ENERGY PLAN

Potential Influence	Actions and Outcomes During 2010/11
The BC Energy Plan (Plan) seeks to put British Columbia at the forefront of North America's environmental and economic leadership. The Plan envisages environmentally and socially responsible oil and gas development in line with New Relationship consideration of First Nations interests. With regard to the importance of the oil and gas sector to the provincial economy, the Plan calls for maintaining and strengthening British Columbia's competitive advantage as an oil and gas jurisdiction.	Direction from the Plan was a significant consideration when renewing the Commission's strategic objectives. The expected outcomes from executing the Commission's strategy seek to rank the Commission as the oil and gas regulator providing the most comprehensive services to industry in Canada. The implementation of OGAA allows for further strengthening of the single-window regulatory model, which is a key competitive advantage for British Columbia. This is coupled with the Commission's leadership focus on operational excellence. The Commission continues to play a role in achieving the Plan's flaring reduction targets through implementing the Flaring, Incinerating and Venting Reduction Guidelines. Increasing transparency, the Commission now publishes annual reports on progress against the reduction targets that can be viewed on the Commission's website at www.bcogc.ca.

DRIVER - INFORMATION TECHNOLOGY

Potential Influence	Actions and Outcomes During 2010/11
Appropriate technology implementation has the potential to increase linkages between working groups, reduce timelines for service delivery, increase data integrity, provide tools for performance measurement, and ultimately improve internal processes and the quality of decision making at all levels. Technology underpins every business process and is vital to knowledge preservation and management.	OGAA implementation dominated business systems development in 2010/2011. Planning continued for other needed system enhancements related to migration of core applications to a single platform, transition to electronic submission, information management and reporting. New systems development projects were identified in the course of the year that would support the Liability Management Rating program, emergency response and safety, multi-well permits and activities, and electronic records management. The Commission implemented a new private network infrastructure. This project improved the Commission's network security and reinforced the Commission's role as an independent regulator. Work will continue in 2011/2012 to complete the move of Commission applications to the private network. "Green IT" actions continued throughout the year: server virtualization, power management solutions for personal workstations; 220-volt outlets in server rooms to reduce power consumption.

SHAREHOLDER'S LETTER OF EXPECTATIONS

Strategic direction for the Commission is derived from the Shareholder's Letter of Expectations, which is an agreement between the Commission and its sole shareholder, the Government of British Columbia, on corporate mandate, strategic priorities and performance expectations. The Shareholder's Letter of Expectations ensures alignment of Commission activities with overarching provincial goals and provides specific directions to the Commission. It is reviewed annually and is the basis for the preparation of the Service Plans and Annual Service Plan Reports.

The 2010/11 Shareholder's Letter of Expectations was signed on Jan. 8, 2010 and can be viewed on the Commission's website at www.bcogc.ca. The highlights of the letter are presented along with the Commission's response.

Shareholder's Letter of Expectations	Commission's Response
Implement measures for greenhouse gas emissions reduction in line with the government's climate change action and the public sector carbon neutrality policy.	The Commission has complied with all government requirements for carbon neutral actions planning and reporting and has purchased offsets for 433 tonnes of CO_2e to achieve carbon neutrality for 2010. A greenhouse gas emissions tracking system is in place to measure and report emissions from vehicle fleet, buildings operation and procurement. The Commission consistently seizes opportunities to promote behavioral change towards a greener and healthier workplace. Specific actions are detailed in the annual carbon neutral action reports available at www.bcogc.ca.
Support successful implementation of the Province's Energy Plan.	The requirements of the BC Energy Plan are a performance driver for the Commission as discussed in the previous section.
In collaboration with other government, public and industry stakeholder, ensure the successful implementation of the Oil and Gas Activities Act.	The OGAA implementation successfully commenced on Oct. 4, 2010 and progress is discussed throughout this Annual Report.
Encourage the participation of First Nations in processes affecting them.	Involving First Nations in the Commission's decision-making has been a priority reflected in the corporate strategy and in developing and implementing the new regulatory framework. Highlights in the relationship with First Nations can be found under the First Nations performance driver above.

SHAREHOLDER'S LETTER OF EXPECTATIONS

Shareholder's Letter of Expectations	Commission's Response
Continue to develop operational procedures to manage and address stakeholder concerns at the approval and permitting stage.	Increasing stakeholders' trust and confidence in the Commission's authority is front and centre of its strategy and is the ultimate objective leading to realization of the Commission's vision to be the leading oil and gas regulator in Canada. Translated to the operational level, this strategy effectively manages and addresses stakeholder concerns through: • Knowledgeable and engaged staff, including specialized community relations officers facilitating the resolution of issues between industry and the public. • Clear and transparent decision-making processes. • Strong partnerships with First Nations, government agencies and professional organizations that can provide external expertise on issues of concern. • Improved support systems to stakeholders, such as online access to information, regular transparent reporting on main topics of interest and strong community presence. Measures and actual performance results discussed under Goal 3 directly relate to this Shareholder expectation.

ACTUAL VS. PLANNED PERFORMANCE AND BENCHMARKS

The 2010/11-2012/13 Service Plan reiterated the five performance goals that steered expected results since 2008:

Goal 1. The Commission protects the interests of the people of British Columbia.

Goal 2. The Commission makes quality decisions in a timely manner.

Goal 3. The Commission is recognized as a service-oriented organization.

Goal 4. The Commission continually improves the regulatory environment.

Goal 5. The Commission is a great place to work.

Performance measures are indicators of the success in achieving results under the specific objectives identified for each goal. Metrics, targets and benchmarks provide feedback for strategy and performance level adjustments. Performance measures have been selected from numerous indicators used to track and guide activities on a daily basis. The Commission measures both outputs and outcomes where possible, and for reporting purposes follows the eight reporting principles published by the Office of the Auditor General of British Columbia. Data used in performance tracking and measurement comes from a number of sources, including:

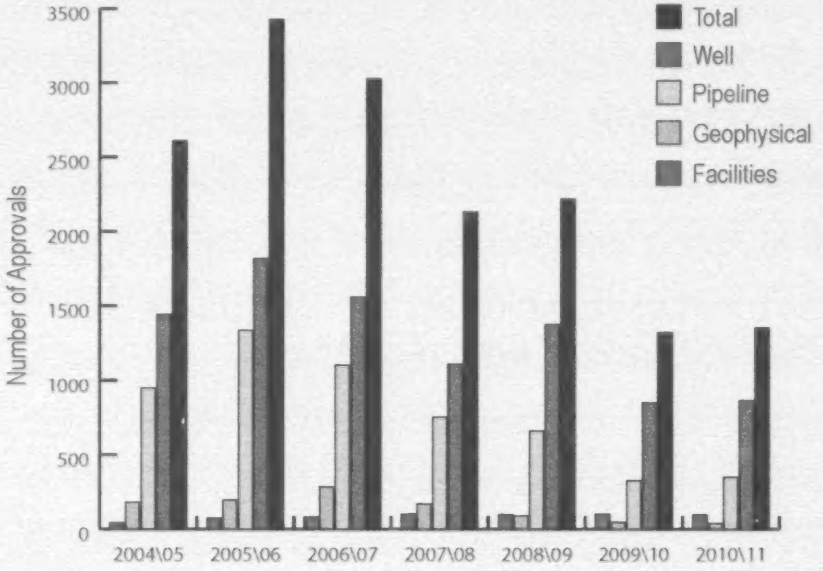
- Application and compliance statistics mainly from the Commission's IRIS and KERMIT database systems.
- Engineering information related to oil and gas operations in British Columbia.
- Organizational Development and Human Resources information, including results from workplace engagement surveys.

Organizational performance is measured at least quarterly. Where possible, benchmark and baseline information is reviewed to provide context for the results achieved by the Commission. Detailed information related to the methodology of Commission performance measures is maintained and updated as necessary.

The Commission continues to have relationships with other government and public agencies to improve the quality of data used to track and measure progress.

In comparison to other North American oil and gas regulators, the Commission provides a broader range of services through its single-window model. Notwithstanding these differences, the Commission benchmarks its performance against selected North American oil and gas regulators and against comparable provincial Crown corporations and public agencies.

Oil and Gas Application Approvals



GOAL 1: The Commission protects the interests of the people of British Columbia.

The Commission protects the public interest through its core activities: application review and assessment, compliance and enforcement, engineering reviews, public engagement and emergency response. Additionally, resource conservation activities ensure that oil and gas resources are extracted in the most efficient way possible, and environmental management activities provide oversight over industry's adherence to environmental standards.

Objectives

- Develop, implement and maintain internal systems and processes for managing risks to public interests.
- Maintain emergency management and emergency response planning framework.
- Develop innovative reservoir management techniques for efficient and effective extraction of petroleum resources.

Performance Measures

Reporting on field inspection results is an important and enduring indicator related to the Commission's role in industry oversight for the sake of protecting public safety. The number of field inspections during a given year is driven by reported incidents and complaints and by a detailed risk modeling targeting sites with the highest risk potential based on previous performance, site sensitivity and inherent risk. Inspected sites are deemed to be in compliance if the inspection finds no deficiencies, or any identified deficiencies are corrected within the allotted timeframe in accordance with the deficiency type. The percentage of inspected sites without high-risk deficiencies is reflected in the measure. First started for 2008/09, field inspection compliance results are summarized and made publicly available in an annual report that can be found on the Commission's website at www.bcogc.ca.

The Commission has advanced its basin level approach in assessing applications and making statutory decisions based on basin-specific environmental values. The Stewardship operational driver on Page 13 mentions actions and outcomes with respect to conserving surface resources. In relation to hydrocarbon resources, the most recent report on estimated oil, natural gas and associated by-products reserves was published in September 2010 and represents the latest geologic and reservoir interpretations by the Resource Conservation group. The report is available at www.bcogc.ca.

Measure	Actual	Actual	Actual	Target	Target	Target	Target
Field Inspection Compliance Rate with respect to High Risk Deficiencies	2008/09	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14
Baseline: 96.6% (2008/09) Benchmark: 98.3% (Alberta ERCB, for calendar year ending Dec.31, 2009)	95%	96%	99.7%	98%	98%	98%	98%

GOAL 2: The Commission makes quality decisions in a timely manner.

The statutory decision-making authority delegated to the Commission through legislation commits staff to make quality decisions in a timely manner and consistent with the complexities of the operating environment. To achieve this, Commission employees follow processes and procedures established to ensure effectiveness, efficiency and transparency of operations.

Objectives

- Advance a measurement culture supported by supervisory development.
- Improve the transparency of reporting, measurement of process deliverables, data collection and integrity and trend analysis.
- Implement process improvements.
- Communicate the role of the Commission to First Nations, industry, public and landowners.
- Strengthen organizational and employee capacity for effective issue management and decision making.

Performance Measures

The average number of calendar days needed to process new applications was carefully monitored throughout the year as there existed a possibility for an increased average processing time due to the conversion to OGAA-consistent review processes. Actual performance was 24 days against a target of 21 days, which is a satisfactory result for the first year of OGAA implementation. The 21-day target remained unchanged in the latest Service Plan in anticipation that application review and processing timelines will return to a level within this target once the OGAA processes are well established.

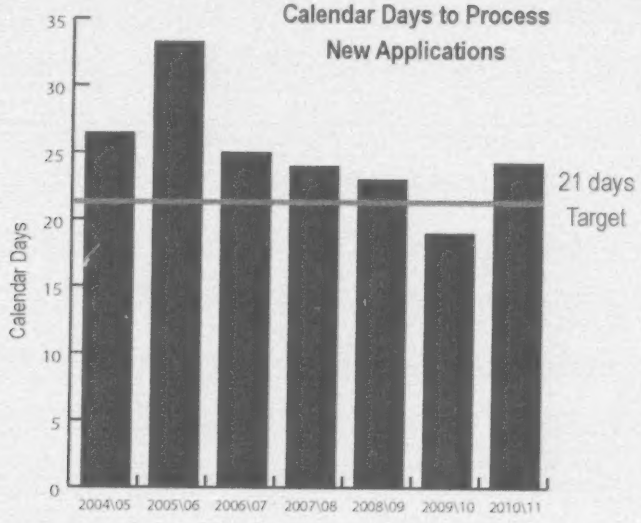
The 2010/11 result achieved for "Percentage of internal processes reviewed to confirm they satisfy quality assurance criteria" was 41 per cent, exceeding the target of 33 per cent. Starting in 2011/12, this measure will be modified to track the success of implementing an annual Internal Audit Plan with respect to compliance with applicable laws, regulations and other contractual obligations. This measure pertains to the internal audit function that is being established within the Commission to provide assurance that applicable laws, regulations and delegated authorities are adhered to and to identify potential gaps in regulations. As modified, this measure reflects the intent of the 2010/11-2012/13 Service Plan measure under Goal 4 entitled "Internal Audit to ensure consistency with MOU and OGAA requirements", which has been under development and would have required first reporting in 2011/12.

During the year in review, the Commission's Integrated Strategic Planning and Performance Management System was elaborated to include mechanisms for process improvements, results-oriented measurement, internal capacity building, leadership development and transparent reporting. Additional information on organizational development programs is provided under the Organizational Capacity operational driver on Page 10.

Measure	Actual	Actual	Actual	Target	Target	Target	Target
Calendar days to process new applications	2008/09	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14
Baseline: 33 (2001/02) Benchmark: 30 (Colorado Oil and Gas Conservation Commission Strategic Plan)	24	19	24	21	21	21	21

Measure	Actual	Actual	Actual	Target	Target	Target	Target
Percentage of internal processes reviewed to confirm with quality assurance criteria	2008/09	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14
Baseline: 33% (2008/09) Benchmark: n/a	33%	100%*	41%	33%	33%	33%	n/a

* In preparation for OGAA Implementation, all internal processes were reviewed in 2009/10.



GOAL 3: The Commission is recognized as a service oriented organization.

This goal reflects the Commission's commitment to sustain relationships of trust and confidence with communities, First Nations and stakeholders. Activities included under this goal enhance the Commission's standards of service excellence.

Objectives

- Apply previous learning when developing new partnerships with First Nations.
- Ensure Commission services are readily and consistently available.
- Increase the Commission's profile.
- Integrate FrontCounter BC with Commission operations.
- Ensure consistent and transparent reporting.

Performance Measures

This past year showed a continued trend of increasing response rates on prcject applications referred to the nine participating First Nation communities. The 2010/11 response rate of 88 per cent exceeds the 85 per cent target and marks a significant improvement compared to last year's result. Payments to First Nations, which in 2010/11 were $7 million, reflect oil and gas activities level and augment capacity for First Nations' meaningful participation in project assessments. Although this response rate is a direct measure of First Nations' input into the review of oil and gas applications, it is also reflective of the increasing First Nations engagement in the overall land and resource management in northeast B.C. Further information on relations with First Nations is provided under the First Nations performance driver on Page 12.

The Commission has increased its presence in the South Peace by adding a third Landowner Liaision officer to the Community Relations branch to provide information and facilitate dispute resolution between industry applicants and those affected by oil and gas activities. In 2010/11, 94 per cent of the industry-to-stakeholder issues raised with the Commission came to a successful resolution. Half of the time this occurred prior to an application decision, indicating an increased ability to address concerns before an activity commences.

During 2010/11 the Commission has continued to conduct Community Awareness Meetings as an educational service to stakeholders. The need for those meetings, however, has significantly changed now that the Commission has an established presence in north-eastern communities where oil and gas activities are taking place. The Commission has concluded that at this stage specific subject meetings and targeted interactions with impacted communities or individual landowners are more beneficial. As a result, the Commission has updated its measure for presence in the community to "Number of Community Meetings with Commission Participation". The Commission hosted five Community Awareness Meetings in 2010/11 to provide information about OGAA, the new Consultation and Notification regulation and processes involving landowners and rights holders. In addition, the Commission hosted an air quality workshop for landowners in the South Peace area and provided staff resources and information for the BC Grain Growers and Peace River Forage Association. Commission representatives participated in two public meetings hosted by industry. Performance targets for the following two years remain unchanged.

Measure	Actual	Actual	Actual	Target	Target	Target	Target
Percentage of applications responded to by First Nations	2008/09	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14
Baseline: 82% (2009/10) Benchmark: n/a	75%	82%	88%	85%	85%	85%	85%

Measure	Actual	Actual	Actual	Target	Target	Target	Target
Industry-to-Stakeholder Issues Resolved through Commission's Facilitation Service	2008/09	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14
Baseline: n/a Benchmark: 86% (Alberta ERCB, 2009)	89%	97%	94%	89%	90%	90%	90%

Measure	Actual	Actual	Actual	Target	Target	Target	Target
Number of Community Meetings with Commission Participation	2008/09	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14
Baseline: 10 (2007/08) Benchmark: n/a	12	14	11	12	12	12	12

GOAL 4: The Commission continually improves the regulatory environment.

This goal is representative of the Commission's efforts to contribute to the development and implementation of an innovative and efficient regulatory framework for oil and gas activities in British Columbia. Activities in support of this goal include the implementation of the OGAA, working agreements with partner agencies and First Nations, and the ongoing improvement of regulations within the Commission's authority in support of innovative practices.

Objectives

- Lead the development of OGAA regulations within the Commission mandate and responsibilities
- Revision of business processes, manuals and guidelines.
- Facilitate training of external groups and Commission staff.
- Revise information systems to be consistent with new OGAA business processes.
- Upgrade information technology to a supportable database platform and migrate to a single product for all operational software applications.
- Develop and document relationships with partner ministries and agencies.
- Communicate a broader level of understanding of the oil and gas regulatory system with stakeholders and partners.
- Utilize available academic, research and development funds in advancing best practices.
- Lead the development of regulations within the Commission's mandate and responsibilities.

Performance Measures

Performance during the past year met a number of objectives related to the OGAA implementation as discussed throughout this report and particularly under the Regulatory Trends and Information Technology performance drivers.

As an indicator of collaboration with partner agencies, the 2010/11-2012/13 Service Plan committed to tracking the number of new and updated Memoranda of Understanding (MOUs) or working agreements.

The respective numbers for 2010/11 were three new MOUs and one re-signed MOU. With the OGAA implementation, revising and negotiating MOUs will continue to be a vital part of maintaining and improving the regulatory system. To allow greater adaptability to the needs of the operating environment and to better report on efforts extended to strengthen the relationships with key partners, the 2011/12-2013/14 Service Plan changed these measures to report on the success of the implementation of an annual plan for developing or updating agreements with strategic partners.

Measure	Actual	Actual	Actual	Target	Target	Target	Target
Number of updated MOUs or working agreements with partner agencies	2008/09	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14
Baseline: n/a Benchmark: n/a	2	2	1	2	2	2	n/a

Measure	Actual	Actual	Actual	Target	Target	Target	Target
Number of new MOUs or working agreements with partner agencies	2008/09	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14
Baseline: n/a Benchmark: n/a	2	2	3	2	2	2	n/a

GOAL 5: The Commission is a great place to work.

This goal represents the Commission's commitment to a healthy and safe work environment, supporting a culture of engagement and work/life balance. Activities under this goal include the development of appropriate infrastructure and support services to allow for employee growth and engaging staff across the organization in the alignment of Commission's strategic objectives with employee professional goals.

Objectives

- Utilize employee survey results to foster a climate where employees are engaged in their work.
- Improve training, knowledge and education organization wide.
- Maintain the Commission's health and wellness program in support of ActNow BC.

Performance Measures

The three employee-focused measures monitor different perspectives of the concerted efforts of management, with the ongoing feedback from employees, to create a healthy, productive and engaged workforce. In 2010/11, the Commission formed an Organizational Development team to lead organizational learning and development, workforce effectiveness and employee engagement. This includes understanding and promoting dissemination of workforce demand and supply analytics, thorough analysis of WES results, and the resulting development of workforce programs aligned with corporate strategy. Additional reporting in this regard is available under the Organizational Capacity operational driver on Page 10.

As of the end of March 2011, 80 per cent of employees had confirmed development plans in place. Currently, the annual employee performance planning and evaluation cycle runs from July 1 to June 30. It is expected that by the end of the cycle, 98 per cent to 100 per cent of employees will have complete plans. Changing the cycle period is being considered to better align with Annual Report timelines. The clarification in the measure name reflects the scope of the individual plans and the transition to a new employee development and performance evaluation system.

The results for the regular staff voluntary turnover are mostly influenced by the following factors of the current operating reality:

- The 2010/11 period saw a rise in new recruitment.
- The new regulatory environment under OGAA created a somewhat increased pressure on workloads.
- Competition with industry for the same human capital is ongoing.
- An increased number of voluntary retirements that factor into the voluntary turnover rate.
- Demographic pressures on the workforce from a macro-economic perspective as a result of "baby boomers" (those born between 1946 and 1964) rapidly reaching retirement age.

Measure	Actual	Actual	Actual	Target	Target	Target	Target
Percentage of employees with an Employee Performance Review and Professional Development (EPRPD) Plan in place	2008/09	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14
Baseline: 98% (2008/09)	98%	100%	98%	100%	100%	100%	100%

Measure	Actual	Actual	Actual	Target	Target	Target	Target
Voluntary turnover rate of regular staff	2008/09	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14
Baseline: 9.1% Benchmark: 10.6% (Alberta ERCB)	10%	8%	10.8%	10%	10%	10%	10%

Measure	Actual	Actual	Actual	Target	Target	Target	Target
Percentage of employees responding to the Workplace Engagement Survey (WES)	2008/09	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14
Baseline: 94% (2007/08) Benchmark: 87% (BC Public Service, 2009)	92%	95%	96%	90%	90%	90%	n/a

FINANCIAL REPORT

Presented here is the Commission's financial position at the end of fiscal 2010/11 and should be considered in conjunction with: the appended audited consolidated financial statements and related notes for the 12 months ending March 31, 2011. The financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). In addition to actual results for the past year, financial forecast information is provided, which is subject to a number of risks and uncertainties as discussed in the preceding report on performance drivers.

The Commission's Consolidated Net Income was $5.6 million compared to a forecast of $3.2 million per the latest 2011/12-2013/14 Service Plan. Higher than expected industry activity is behind this higher than forecast result: Fees revenues came in at $15 million compared to the forecast of $12.0 million; Levies on production revenues were also higher at $24.7 million compared to the forecast of $23.7. The Orphan Sites Reclamation Fund administered by the Commission and consolidated for financial statement purposes had a net income of $972,000.

The 2010/11 results demonstrate the benefits of the Commission's new funding model adopted two years ago and shifting the revenue stream to be more dependent on stable production-based levies rather than the more volatile application fees. The model fairly reflects the continued responsibility of the Commission to oversee the growing oil and gas infrastructure regardless of the level of applications for new development. Levies on petroleum and natural gas production are predictable and payable on a monthly basis.

Payments to First Nations were $7 million, up by six per cent from the previous year due to the higher number of applications received. Relations with First Nations and the funding for their participation in the oil and gas activities permitting process are managed through CPAs, six of which are in the process of being re-negotiated after they expired on March 31, 2011. Payments to First Nations are primarily based on oil and gas activity levels.

Consolidated Financial Results $000s	2008/09 Actual	2009/10 Actual	2010/11 Actual	2010/11 Budget	Variance from Budget	2011/12 Forecast	2012/13 Forecast	2013/14 Forecast
Revenues								
Fees	13,698	12,865	15,012	13,886	1,126	13,237	14,294	14,837
Levies	14,971	19,514	24,701	22,448	2,253	27,514	28,932	30,841
Misc & Recoveries	1,586	676	275	285	(10)	335	235	235
Total Revenue	**30,255**	**33,055**	**39,988**	**36,619**	**3,369**	**41,086**	**43,461**	**45,913**
Expenses								
First Nations	8,797	6,296	6,965	6,000	965	6,798	7,377	7,660
Salaries and Benefits	15,755	15,372	18,159	17,560	599	18,929	20,082	21,304
Operating Expenses (incl. amort.)	9,017	7,388	9,270	10,866	(1,596)	12,953	14,890	15,874
Total Expenses	**33,569**	**29,056**	**34,394**	**34,426**	**(32)**	**38,679**	**42,349**	**44,838**
Consolidated Net Income (Loss)	**(3,314)**	**3,999**	**5,594**	**2,193**	**3,401**	**2,406**	**1,112**	**1,075**

The funding model and the higher than predicted year-end results for both 2010/11 and 2009/10 maintain the financial self-sufficiency of the Commission and generate surplus cash to fund needed capital projects, enhance organizational capacity and continually improve services to clients and stakeholders.

Employee salaries and benefits constitute the most significant expense, in magnitude and importance. The Commission's employees come from a wide range of technical and professional backgrounds and are dispersed in different geographic areas. The salary and benefits structure for included employees is negotiated by the respective union and the Commission at the end of each collective agreement term. Two-year agreements were ratified during 2010/11 with both the Professional Employees Association and the B.C. Government and Service Employees' Union.

In the Commission's outlook for the next three years, the trend of increasing year-end surplus continues as a key prerequisite for realizing planned capital projects, the main focus among which will be the procurement and tenant improvements for a new office building in Fort St. John and information technology projects targeting integration of business application and transition to an electronic submission of applications. Uncertainties around the key assumptions presented here constitute the main risks that may influence the achievement of anticipated results. With a lot of potential to influence results but with no control on behalf of the Commission are the industry activity levels and the price of natural gas. The Commission will continue to provide a stable, predictable and responsive regulatory environment, excellence in the single window service to industry, and fair representation of all its partners' and stakeholders' interests.

KEY ASSUMPTIONS

Assumption	2010/11 Projected	2010/11 Actual	2011/12 Projected	2012/13 Projected	2013/14 Projected
New well applications		988			--
Per 2010/11 – 2012/13 Service Plan	900	--	1000	1100	--
Per 2011/12 – 2013/14 Service Plan	750		950	1050	1100
Marketable Gas Volumes		30.9×10^9 m^3			
Per 2010/11 – 2012/13 Service Plan	30.5×10^9 m^3		39.3×10^9 m^3	48.3×10^9 m^3	
Per 2011/12 – 2013/14 Service Plan	29.6×10^9 m^3		37.41×10^9 m^3	41.32×10^9 m^3	44.94×10^9 m^3
Produced Oil Volumes		1.243×10^6 m^3			
Per 2010/11 – 2012/13 Service Plan	1.1×10^6 m^3		1.0×10^6 m^3	0.9×10^6 m^3	
Per 2011/12 – 2013/14 Service Plan	1.237×10^6 m^3		1.212×10^6 m^3	1.132×10^6 m^3	1.036×10^6 m^3
Natural Gas prices remain in excess of	US$5/MCF	US$4/MCF	US$4/MCF	US$4/MCF	US$4/MCF
Inflation per annum.	3%	3%	3%	3%	3%
Number of well sites to be reclaimed under the Orphan Sites Reclamation Fund, cost per site per annum @ $200K	4	2	4	4	4
Workforce FTEs reflect cost containment measures; wage and benefit increases are based on the current collective agreements and are subject to future labour negotiations.					
Premises costs do not reflect future possible consolidation of Fort St. John facilities.					
Funding for OGAA does not address potential costs for future appeal processes.					

FINANCIAL REPORT

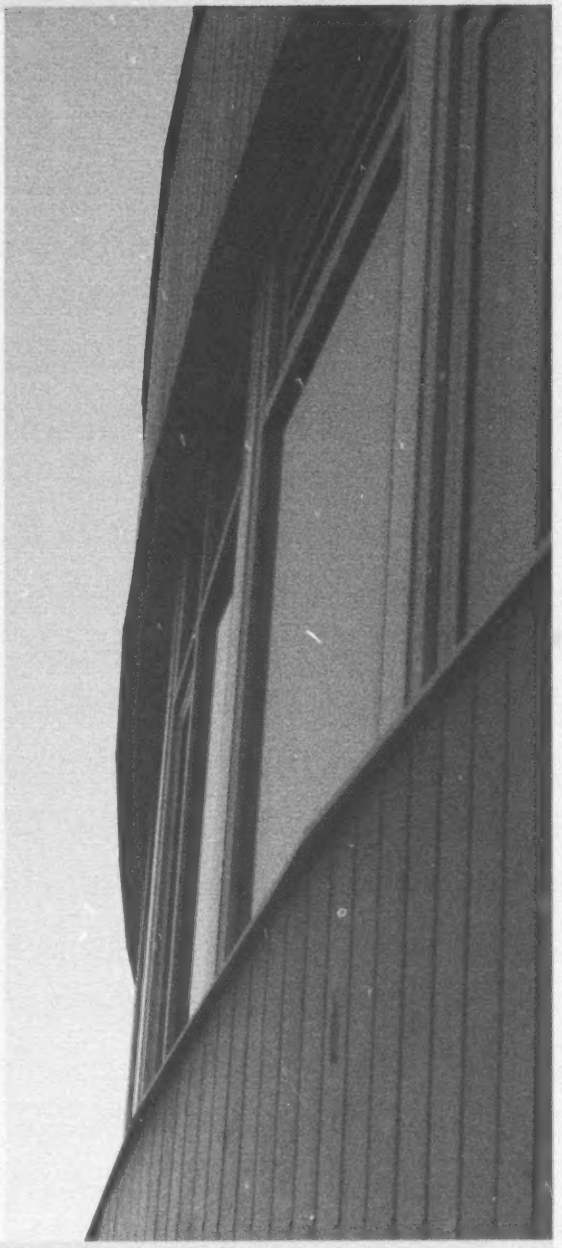
The salaries and benefits expense in 2010/11 was $18.2 million, five per cent higher than the Service Plan forecast of $17.4 million. The increase in salaries and benefits from the previous fiscal year reflects the cost of new recruitment and retention of existing employees and is within the range of average annual increases over the last five years.

Operating expenses related to professional services and training, travel, building occupancy and telecommunications increased by $1.3 million from their 2009/10 reflecting increased staff training costs, the opening in December 2010 of a new office in Kelowna, and increasing gasoline prices leading to greater vehicle fleet and business travel costs. Total operating expenses, including amortization and grants, were $9.3 million, compared to a Service Plan forecast of $9.7 million.

On a consolidated basis, cash balances in 2010/11 increased from $2.0 million at March 31, 2010 to $5.2 million at March 31, 2011. Cash held by the Orphan Fund, which is restricted in its use to orphan sites activities, increased from $3.0 million to $3.9 million. As a result of implementing the Liability Management Rating program, as of March 31 the Commission holds $11.8 million in cash and $8.9 million in Letters of Credit as security deposits against potential permit holder liability with respect to site reclamation and abandonment.

Primarily related to new business applications development and migration of existing applications to a new platform, investments in property, plant and equipment and intangible assets during the year were $2.3 million. Amortization for this group of assets was $1.3 million. Net assets of the Commission started the year at $16.2 million and ended the year at March 31, 2011 at $21.8 million. Net assets have funded the receivables and property, plant and equipment on the Commission's Balance Sheet.

The Commission's three year financial outlook presented here is based on the key assumptions. The strategies and measures to achieve financial targets are annually described in the Commission's Service Plan. The Commission has no major capital plans as defined by the Budget Transparency and Accountability Act (plans in excess of $50 million). Capital spending on information technology upgrades, tenant improvements and equipment are forecast to be $15.5 million the next three years. Cash flow will be provided by operating surpluses.



OTHER INFORMATION REQUIRED BY THE SHAREHOLDER

FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY

The information contained in this Annual Service Plan Report is not confidential and is in compliance with the Freedom of Information and Protection of Privacy Act.

REPORT ON SUBSIDIARIES AND BUSINESS SEGMENTS

The Commission has no subsidiaries. The Orphan Site Reclamation Fund is not a subsidiary, but is consolidated for financial statements purposes.

CONTACT INFORMATION

For general information about the BC Oil and Gas Commission, please contact:

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Website: www.bcogc.ca

Find us on
www.facebook.com/bcogc

Follow us on
www.twitter.com/bcogc

For more information regarding this Service Plan, please contact:
Steve Simons, Leader, Performance and Planning
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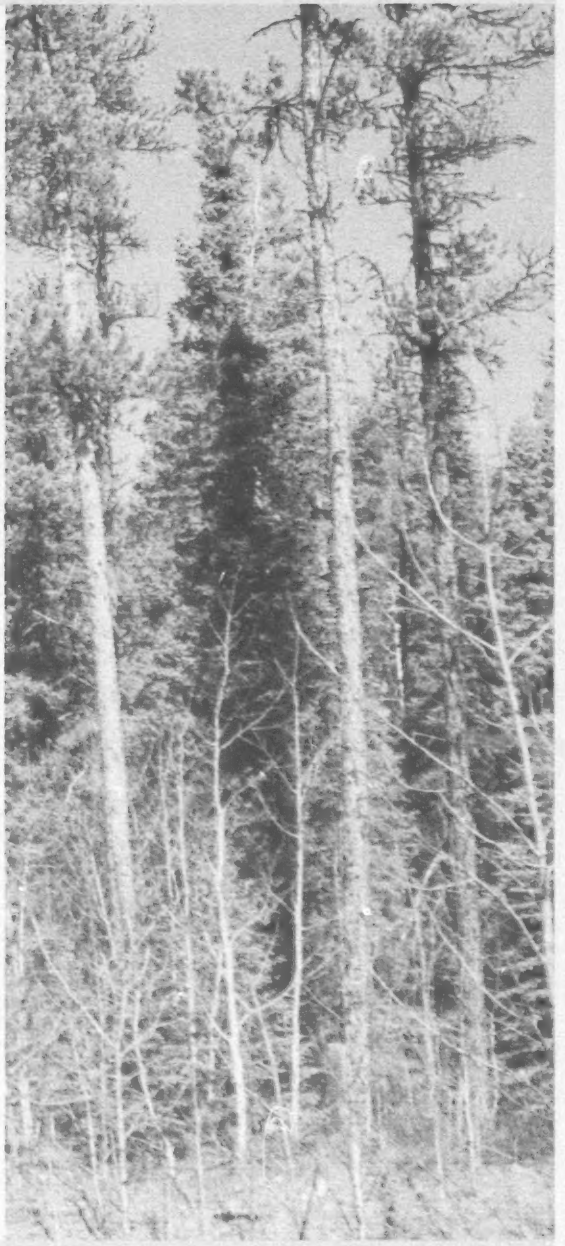
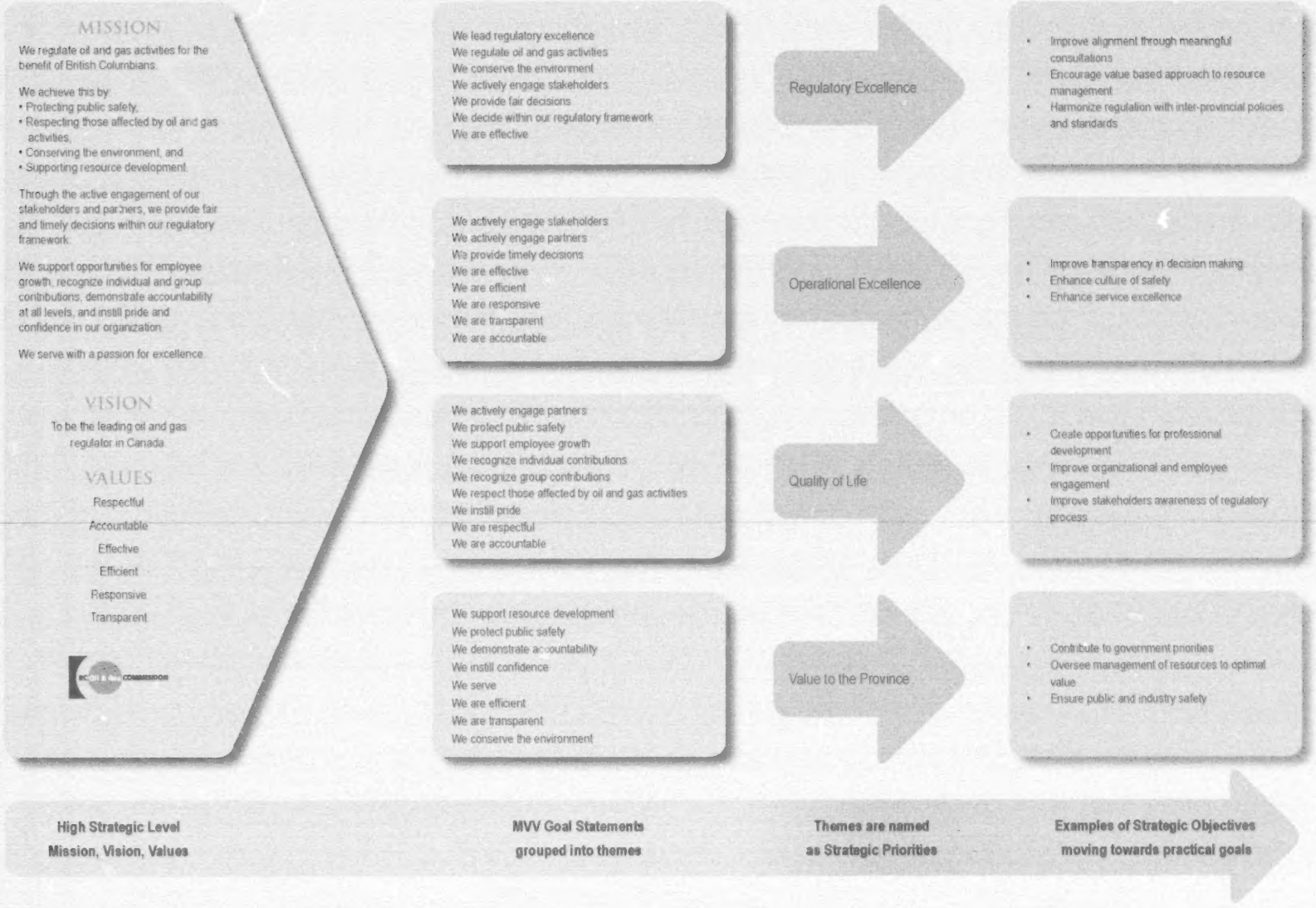


APPENDIX 1

Mission, Vision, Values Put Into Practice in the 2011/12 - 2013/14 Service Plan


MISSION
We regulate oil and gas activities for the benefit of British Columbians.
We achieve this by:
• Protecting public safety;
• Respecting those affected by oil and gas activities;
• Conserving the environment; and
• Supporting resource development.
Through the active engagement of our stakeholders and partners, we provide fair and timely decisions within our regulatory framework.
We support opportunities for employee growth, recognize individual and group contributions, demonstrate accountability at all levels, and instill pride and confidence in our organization.
We serve with a passion for excellence.
VISION
To be the leading oil and gas regulator in Canada.
VALUES
Respectful
Accountable
Effective
Efficient
Responsive
Transparent
We lead regulatory excellence
We regulate oil and gas activities
We conserve the environment
We actively engage stakeholders
We provide fair decisions
We decide within our regulatory framework
We are effective
Regulatory Excellence
• Improve alignment through meaningful consultations
• Encourage value based approach to resource management
• Harmonize regulation with inter-provincial policies and standards
We actively engage stakeholders
We actively engage partners
We provide timely decisions
We are effective
We are efficient
We are responsive
We are transparent
We are accountable
Operational Excellence
• Improve transparency in decision making
• Enhance culture of safety
• Enhance service excellence
We actively engage partners
We protect public safety
We support employee growth
We recognize individual contributions
We recognize group contributions
We respect those affected by oil and gas activities
We instill pride
We are respectful
We are accountable
Quality of Life
• Create opportunities for professional development
• Improve organizational and employee engagement
• Improve stakeholders awareness of regulatory process
We support resource development
We protect public safety
We demonstrate accountability
We instill confidence
We serve
We are efficient
We are transparent
We conserve the environment
Value to the Province
• Contribute to government priorities
• Oversee management of resources to optimal value
• Ensure public and industry safety
High Strategic Level
Mission, Vision, Values
MVV Goal Statements
grouped into themes
Themes are named
as Strategic Priorities
Examples of Strategic Objectives
moving towards practical goals

APPENDIX 2

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Oil and Gas Commission, and
To the Minister of Energy and Mines, Province of British Columbia

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Oil and Gas Commission, which comprise the consolidated statement of financial position as at March 31, 2011, and the consolidated statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

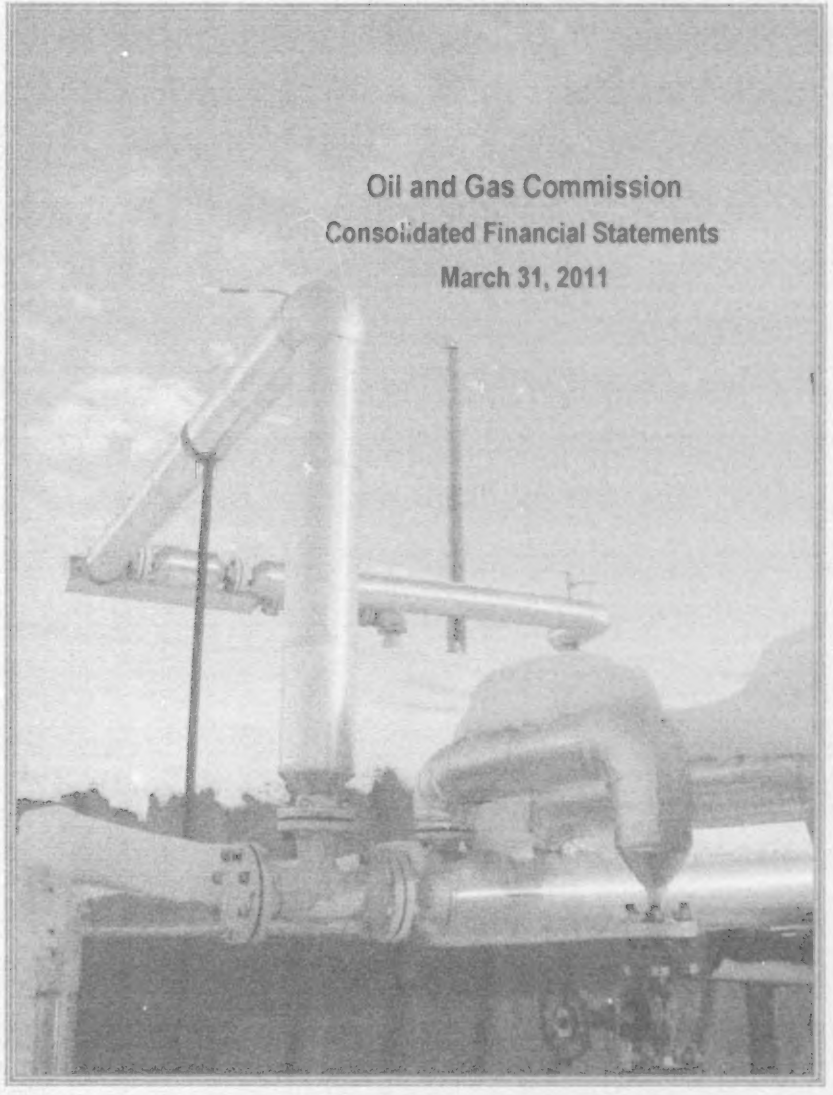
Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Oil and Gas Commission as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
June 20, 2011

John Doyle, MAcc, CA
Auditor General

APPENDIX 3



BC Oil & Gas COMMISSION

Statement of Management Responsibility

The consolidated financial statements of the Oil and Gas Commission (Commission) for the year ended March 31, 2011 have been prepared by management in accordance with Canadian generally accepted accounting principles. These consolidated financial statements present fairly the financial position of the Commission as at March 31, 2011, and the results of its operations and changes in its cash flows for the year then ended.

Management is responsible for the preparation of the consolidated financial statements and have established systems of internal control to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that financial records provide reliable information for the preparation of financial statements.

The Auditor General of British Columbia has performed an independent audit of the consolidated financial statements of the Commission. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of the Commission.

Alex Ferguson
Commissioner

Randall Smith
Executive Financial Officer

Oil and Gas Commission
Consolidated Statement of Financial Position
(in $000s)

March 31	2011	2010
Assets		
Current assets		
Cash	5,207	1,982
Accounts receivable (Note 5)	12,598	11,148
Prepaid expenses	392	212
	18,197	13,322
Restricted cash		
Orphan fund (Note 6)	3,869	3,831
Liability management security deposits (Note 8)	11,776	-
Other assets	66	66
Property, plant and equipment (Note 9)	3,960	3,428
Intangible assets (Note 9)	992	580
	38,870	20,427
Liabilities and net assets		
Current liabilities		
Accounts payable	648	894
Wages payable (Note 11)	1,053	826
Due to First Nations	1,952	1,451
Due to the Province of British Columbia (Note 14)	686	170
Deferred revenue	818	492
	4,672	3,833
Security deposits refundable (Note 8)	11,776	-
Future retirement allowance (Note 11)	453	409
	16,901	4,242
Net assets		
Net assets	21,719	16,125
Contributed assets (Note 10)	50	60
	21,769	16,185
	38,670	20,427

The accompanying notes are an integral part of these statements

Approved on behalf of the Board

Steve Carr, Board Chair

Alex Ferguson, Commissioner

Oil and Gas Commission
Consolidated Statement of Operations and Net Assets
(in $000s)

March 31	2011	2010
Revenues		
Production levies	34,701	18,514
Fees and annual pipeline levies	15,012	12,865
Recoveries from the Province of British Columbia	67	381
Miscellaneous	198	135
	39,978	32,895
Expenses		
Amortization	1,514	1,317
Building occupancy	2,243	2,196
First Nations (Note 15)	6,965	6,296
Grants	264	10
Miscellaneous and reserve for doubtful accounts	148	37
Office supplies and equipment	636	516
Professional services and training	2,101	1,638
Salaries and benefits	18,159	15,372
Telecommunications and information systems	1,214	746
Travel and vehicle costs	1,132	928
	34,394	29,056
Income from operations	5,584	3,839
Gain on sale of assets	-	150
Amortization of contributed assets (Note 10)	10	10
Net income	5,594	3,999
Net assets beginning of year	16,125	12,126
Net assets end of year	21,719	16,125

The accompanying notes are an integral part of these statements

Oil and Gas Commission
Consolidated Statement of Cash Flows
(in $000s)

March 31	2011	2010
Operating activities		
Cash generated from:		
Production levies	22,906	17,156
Fees and annual pipeline levies	16,049	11,508
Miscellaneous and recoveries	354	412
	39,309	29,076
Cash used for:		
Operating expenses	(8,117)	(7,330)
Payments to First Nations	(6,863)	(5,689)
Salaries and benefits	(17,887)	(16,117)
	(32,867)	(29,136)
Cash from (used in) operating activities	6,442	(60)
Investing activities		
Cash generated from:		
Proceeds from sale of assets	-	207
	-	207
Cash used for:		
Cash restricted for Orphan Site Reclamation Fund	(839)	(789)
Purchase of intangible assets	(1,071)	(13)
Purchase of plant and equipment	(1,287)	(1,912)
	(3,197)	(2,714)
Cash from (used in) investing activities	(3,197)	(2,507)
Increase (decrease) in cash	3,245	(2,567)
Cash beginning of year	1,962	4,529
Cash end of year	5,207	1,962

The accompanying notes are an integral part of these statements.

Oil and Gas Commission
Notes to the Consolidated Financial Statements March 31, 2011
(tabular in $000s)

1. The Oil and Gas Commission

The Oil and Gas Commission (Commission) was established under the *Oil and Gas Commission Act* on July 30, 1998 to regulate oil and gas activities, having regard to environmental, economic and social values, encourage participation of First Nations, and advance safe and efficient practices in the industry. The Commission is accountable for delivering initiatives and programs that serve to minimize the environmental impact of oil and gas activities in British Columbia. The Commission and its purposes were continued in the *Oil and Gas Activities Act* which came into force October 4, 2010.

The Commission is funded through:

- Levies on oil and gas production;
- Annual pipeline levies; and
- Fees charged in respect of permit applications, transfers and amendments.

The Commission is exempt from federal and provincial income taxes.

2. Significant Accounting Policies

The consolidated financial statements of the Commission are prepared in accordance with Canadian generally accepted accounting principles (GAAP). Significant accounting policies are as follows:

New Accounting Pronouncements

Future Accounting Framework

The Commission is a government organization within the British Columbia government reporting entity, and as such follows the accounting standards of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA). The Commission has been classified as an "other government organization" under PSAB and has chosen to follow the private sector accounting standards of the CICA.

Recent revisions to the introduction of the PSAB Handbook require the Commission to report under either the PSAB Handbook or International Financial Reporting Standards (IFRS) in its fiscal period beginning April 1, 2011; however, the Province of British Columbia has directed the Commission to adopt PSAB accounting standards. Conversion to the PSAB accounting standards will result in minor changes to both the recognition and measurement of certain accounts and to the overall presentation of the financial statements including disclosures.

Oil and Gas Commission
Notes to the Consolidated Financial Statements March 31, 2011
(tabular in $000s)

2. Significant Accounting Policies (continued)

Consolidation

The accounts of the Commission and the Orphan Site Reclamation Fund (OSRF) have been consolidated in these financial statements. The Commission administers and controls the OSRF and all intercompany balances and transactions have been eliminated.

Financial Instruments

The Commission has designated its Financial Instruments as follows: Cash is classified as held for trading and measured at fair value and all gains and losses are included in net income from operations in the period in which they occur. Accounts receivable are classified as loans and receivables and are measured at amortized cost. Accounts payables, wages payable and due to First Nations are classified as other financial liabilities and are also measured at amortized cost.

Capital Assets

Property, plant and equipment, and intangible assets are recorded at cost and are amortized on a straight-line basis over the estimated useful life of the assets at the following annual rates:

Property, plant and equipment	Rate
Tenant improvements	over the lease term
Furniture	10%
Computer hardware	33%
Operating equipment	20%
Automotive equipment	25%

Intangible assets	Rate
Business systems development	33%
Other software	20% - 33%

Other software now includes satellite imagery which is being amortized on a straight-line basis at a rate of 20%.

An amount approximating amortization associated with capital assets originally paid for by the Province of British Columbia is transferred from contributed assets to revenue each year. See note 10.

Revenue Recognition

Levies on oil and gas production are authorized and collected under the *Oil and Gas Activities Act* and first paid to the Minister of Finance. The Province is required to transfer this amount of revenue to the Commission in full. This revenue is calculated and recognized upon production. Application fee revenue is recognized when applications are processed; annual pipeline levies are billed and recognized based on length and size of pipe owned at March 31 of the applicable fiscal year.

Oil and Gas Commission
Notes to the Consolidated Financial Statements March 31, 2011
(tabular in $000s)

2. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Significant balances that include an element of estimation include production levy revenue and receivables, the amortization of capital assets, and future employee benefit liabilities.

Production levy revenue receivable is estimated based on an analysis that takes into account both historical and current year trends. Actual results have been consistently within 2% of estimate.

3. Capital Management

The Oil and Gas Commission defines capital as net equity (assets minus liabilities). It manages its capital structure in accordance with its long-term view of investments in property, plant and equipment and the anticipated impacts to operations caused by changes in economic conditions necessary to meet its legislative mandate. Net equity includes the net assets of the Orphan Site Reclamation Fund which is restricted in its use (see Note 6). There has been no change to the Commission's approach to capital management during the period. The Commission is currently meeting all of its financial commitments. The Commission has no externally imposed capital requirements.

4. Financial Instruments

The Commission's financial instruments include cash, accounts receivable, accounts payable, wages payable and due to First Nations. The carrying amounts of these instruments approximates fair value due to their short-term nature.

Risks

The activities of the Commission could expose it to a variety of financial risks including credit risk, interest rate risk, and liquidity risk.

Credit Risk

Credit risk is the risk associated with the inability of a third party to fulfill payment obligations. The Commission is exposed to credit risk in the event of non-payment of accounts receivable levies on production of oil and gas. This risk is negligible, as the third parties cannot access their oil and gas assets without the concurrence of the Commission.

The Commission is exposed to credit risk associated with its cash deposits. This risk is mitigated by placing cash deposits in recognized British Columbia and Canadian deposit-taking financial institutions, with coverage of the Credit Union Deposit Insurance Corporation or the Canadian Deposit Insurance Corporation. Credit risk arising from cash deposits is considered negligible.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in market interest rates will affect future cash flows or fair values of financial instruments. The Commission is exposed to interest rate risk on cash deposits, however the risk is not considered significant as interest revenues are not significant.

Oil and Gas Commission
Notes to the Consolidated Financial Statements March 31, 2011
(tabular in $000s)

4. Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Commission will encounter difficulty in meeting obligations associated with its financial liabilities. The Commission manages its liquidity risk by placing deposits in cash and closely monitoring revenue-generating activities, as well as controlling expenditures to result in suitable cash flows.

It is management's assessment that the Commission is not exposed to significant credit, interest, or liquidity risk arising from these instruments.

5. Accounts Receivable

Fee and levy revenue is initially receivable from industry. The majority of the revenue is subsequently collected and processed through the provincial government. At any point in time, a portion of fees and levies receivable by the Commission is payable by industry, and a portion is payable by the Province to the Commission.

	2011	2010
Due from industry		
Production levies	6,645	6,022
Fees and annual pipeline levies	2,370	2,065
	9,015	8,087
Due from the Province of British Columbia		
Fees and levies collected	2,932	2,775
Recoveries	95	246
	3,027	3,021
Other	556	40
	12,598	11,148

Oil and Gas Commission
Notes to the Consolidated Financial Statements March 31, 2011
(tabular in $000s)

6. Orphan Site Reclamation Fund

The Oil and Gas Commission administers the Orphan Site Reclamation Fund (OSRF). The OSRF was created on April 1, 2006 as a means for industry to pay for reclamation of orphaned oil and gas sites and for related costs. The Ministry of Energy and Mines provided funding to reclaim and remediate orphan sites specifically identified at that time.

There are also 48 potential orphan sites in BC, the majority of which preceded regulation in the Province. Liability for these sites has not been established at this time; however it is probable that the majority will become the responsibility of the OSRF if ownership cannot be determined. Reclamation of the sites would then be prioritized based on risk, and proximity to human habitation or sensitive environment. Because a portion of these sites were potentially orphaned more than 50 years ago with minimal documentation, it is impractical to estimate costs of reclamation or whether reclamation is necessary or feasible.

At March 31, 2011, the Commission held $3,869,205 in OSRF cash (2010: $3,031,000). Net assets accumulated by the OSRF are restricted in use by legislation and are not available for general use of the Commission. At March 31, 2011, OSRF Net assets totalled $4,465,216, (2010: $3,493,000).

Net assets and results of operations of the OSRF are summarized as follows:

	2011	2010
Assets		
Cash	3,869	3,031
Receivables	624	540
Total assets	4,493	3,571
Current liabilities		
Accounts payable	28	78
Net assets	4,465	3,493
Net assets and liabilities	4,493	3,571
Revenue		
Production levies	997	918
Miscellaneous	28	7
Recoveries from province	-	257
	1,025	1,182
Expenses		
Reclamation expenses	53	297
Net income - Orphan Site Reclamation Fund	972	885

7. Science and Community Environmental Knowledge (SCEK) Fund

The Commission administers the SCEK fund on behalf of the SCEK Steering Committee. The activities and balances of the SCEK fund are not included in these financial statements. Funding is generated and collected by the Commission through a portion of the levy on oil and gas production and a portion of the application fee for wells. The money is restricted for use as directed by the SCEK Steering Committee for projects and administration of the SCEK fund. This funding was suspended April 1, 2009.

At March 31, 2011 the net asset balance of the SCEK fund is $1,104,161, (2010: $1,516,000). For the year ending March 31, 2011 revenues were $11,445, (2010: $5,000) and expenses were $415,882 (2010: $543,000).

8. Liability Management Rating

On October 28, 2010, the Commission established a Liability Management Rating (LMR) program. The objective of the LMR program is to ensure that permit holders carry the financial risk of their oil and gas operations through to regulatory closure. Under the program, refundable security deposits previously held by the Ministry of Energy and Mines under the Drilling and Production Regulation of the *Petroleum and Natural Gas Act* were transferred to the Commission. In addition to cash of $11,775,632, the Commission holds $9,025,991 in non-cash security in the form of irrevocable letters of credit which are not recorded in these financial statements. Refundable cash security deposits have been internally restricted for use in settling potential permit holder liabilities.

9. Capital Assets

Capital assets are amortized at rates as stated in note 2. For the year-ending March 31, 2011, amortization expense for property, plant and equipment was $847,743 (2010: $497,000), for business systems development was $594,782 (2010: $771,000), and for purchased computer software was $71,942 (2010: $49,000).

	2011			2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Property, plant and equipment						
Tenant improvements	3,875	1,483	2,392	3,656	964	2,692
Furniture	1,196	585	611	948	483	465
Computer hardware	936	507	429	556	336	220
Operating equipment	502	166	336	168	126	42
Automotive equipment	415	323	92	310	309	1
	6,924	3,064	3,860	5,637	2,217	3,420
Intangible assets						
Business systems development	3,178	2,394	784	2,316	1,798	518
Computer software	361	153	208	151	81	70
	3,539	2,547	992	2,467	1,879	588
	10,463	5,611	4,852	8,104	4,096	4,008

Oil and Gas Commission
Notes to the Consolidated Financial Statements March 31, 2011
(tabular in $000s)

10. Contributed Assets

The Province provided $100,000 towards tenant improvements in fiscal 2007. An equivalent amount was recognized as a contributed asset.

Contributed assets are amortized each year in an amount approximating amortization of capital assets; this amount is transferred to revenue.

	2011	2010
Contributed assets beginning of year	60	70
Amortization of contributed assets	(10)	(10)
Contributed assets end of year	50	60

11. Employee Benefit Plan and Future Liability

Employee Benefit Plan

The Commission and its employees contribute to the Public Service Pension Plan (the Plan). The Public Service Pension Board of Trustees, representing plan members and employers is responsible for overseeing the management of the Plan, including investment of the assets and administration of benefits. The Plan is a defined benefit multi-employer contributory pension plan.

Every three years, an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The latest valuation as at March 31, 2008 indicated a surplus of $487 million for basic pension benefits. The next valuation will be as at March 31, 2011 with results available in early 2012. The actuary does not attribute portions of the unfunded liability or surplus to individual employers. Contributions to the Plan by the Commission for 2011 were $1,295,930, (2010: $1,160,262) and are included in salaries and benefits expense.

Accrued Employee Leave Entitlements

As of March 31, 2011, the value of employee entitlements to vacation, other leave and compensatory time off, plus related benefits, in accordance with collective agreements and terms of employment was $532,864 (2010: $429,392) and this amount is included in wages payable.

Future Retirement Allowance Liability

The Commission accrues for future retirement allowances as provided under the collective agreements and terms of employment. The discounted value, net of recoveries, of this obligation is $523,557(2010: $460,104) of which $70,191(2010: $51,320) is included in wages payable as a current liability.

12. Commitments

The Commission occupies leased office buildings and storage space in Fort St. John, Fort Nelson, Dawson Creek, Kelowna, and Victoria and has entered into a number of short-term leases and support agreements for vehicles, office equipment, and software development and licensing.

The Commission's commitments for the agreements described above are:

Fiscal Year	Related Parties	Other	Total
2011/12	980	1,570	2,550
2012/13	872	1,575	2,447
2013/14	-	1,499	1,499
2014/15	-	1,222	1,222
2015/16	-	1,099	1,099
	1,852	6,965	8,817

As well, the Commission has signed Consultation Agreements with a number of First Nations communities, committing the Commission to fixed minimum payments totaling $650,000 within the next year, plus further amounts based on the number of well applications received by the Commission. Future years' payments are dependent upon renewal of existing agreements, the likelihood of which cannot be ascertained at this time.

13. Contingent Liability

Litigation and Claims

The Commission is contingently liable with respect to pending litigation and claims in the normal course of business. In the opinion of management, any liability that may arise from pending litigation would not have a material effect on the Commission's consolidated financial position or results of operations.

See also Note 6 regarding potential reclamation costs related to the Orphan Site Reclamation Fund.

Oil and Gas Commission
Notes to the Consolidated Financial Statements March 31, 2011
(tabular in $000s)

14. Related Party Transactions

The Commission is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are recorded on the accrual basis, are considered to be in the normal course of operations, and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The consolidated financial statements include the following related party transactions:

	2011	2010
Due from the Province of British Columbia:		
Fees and levies collected	2,932	2,775
Recoveries	95	246
	3,027	3,021
Due to the Province of British Columbia:		
Expense reimbursements	600	170
Revenues from the province:		
Contract recoveries	67	381
Miscellaneous	70	17
	137	398
Expenses:		
Building occupancy	910	1,305
Office supplies and equipment	60	62
Professional services and training	314	264
Salaries and benefits	1,819	1,646
Telecommunications and info systems	131	257
Travel and vehicle costs	405	171
	3,639	3,705

Oil and Gas Commission
Notes to the Consolidated Financial Statements March 31, 2011
(tabular *in* $000s)

15. First Nations Payments

The Commission has entered into Consultation Agreements with the following First Nations. During the life of the Agreements, each First Nation will receive payments based on current oil and gas development activities, for the purpose of consultation services on applications as required by the *Oil and Gas Commission Act*. Payments for the year-ended March 31st are as follows:

Payments to	Agreements Expire	2011	2010
Blueberry River First Nations	March 31, 2020	692	577
Dene Tha' First Nations	September 30, 2011	444	460
Doig River First Nations	March 31, 2011	692	577
Fort Nelson First Nations	March 31, 2011	692	577
Halfway River First Nations	March 31, 2011	692	577
Klunaxa First Nation	March 31, 2012	3	18
McLeod Lake Indian Band	April 30, 2012	935	982
Prophet River First Nations	March 31, 2011	692	577
Saulteau First Nations	March 31, 2011	1,051	966
West Moberly First Nations	March 31, 2011	1,072	985
		6,965	6,296